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UNCLAS SECTION 01 OF 02 ASHGABAT 000247

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SUBJECT: PDAS MANN SCENESETTER (II): TURKMENISTAN, AFGHANISTAN AND
ELECTRICITY

REF: A) Ashgabat 242, B) 06 Ashgabat 450

SUMMARY

1. (U) Post's knowledge regarding Turkmenistan's supply of electricity to Afghanistan remains essentially limited to the scant and mainly declarative details reported after the Memorandum of Understanding (MoU) was signed last April 24 by President Niyazov and an Afghanistani delegation headed by Power and Water Resources Minister Ismail. Following is mainly a review of those details. Principal questions from Embassy Ashgabat's perspective for PDAS Mann to now ask the Energy Minister are offered in para 7.

April 2006 MoU: Review

2. (U) The April 24, 2006 MoU provided for delivery of an additional 330 MW of electricity per year over and above the approximately 165 MW already being supplied. The Turkmenistani government moreover agreed to upgrade and construct necessary infrastructure so as to expand the power network to additional Afghanistani towns and cities. Financial details of the deal were not disclosed, but Niyazov announced that Turkmenistan would write off half of Afghanistan's debt for previous power supplies, believed to be around \$8 million, as a gesture of goodwill.

3. (U) Turkmenistani media at the time focused reporting on the ambitious Turkmenistan-Herat-Kandahar-Kabul-Mazar-e-Sha rif-Herat power loop. Although in discussions preceding the MoU, Niyazov had reportedly proposed increasing Turkmenistan's exports to Afghanistan to 800 MW, there was never any discussion of the major specific improvements in the Herat grid that such a volume would require. Reputed priority for the GOA is the North East Transmission System (NETS) that is designed to bring power produced by Afghanistan's Shabirgan power plant -- supported by imported power from Uzbekistan, Turkmenistan and Tajikistan -- to the northern and eastern regions of Afghanistan. The proposed link is most likely connected to the \$6.6 million, 102 km Serhetabad (Turkmenistan)-Turghundi-Herat transmission line that is capable of transmitting 200 MW. The 2004 Turkmenistan-built link has a 220 kV capacity, but

it is currently operating at 110 kV. The two governments agreed that Turkmenistani experts would work to resolve the imminent voltage upgrade.

¶4. (U) The signed MOU envisaged the extension of 110 kV power lines from Turkmenistan to Afghanistan's Maruchak and Kalay-Nau cities in Badghis province and to Hamiyab and Karkin cities in Jawzjan province. The extensions were to increase power from 40 MW to approximately 70 MW. The Turkmenistan government also committed to spend its own funds to build an additional dual-circuit 220 kV link from the Turkmenabat or Mary power stations in Turkmenistan to the Afghan border to ultimately connect to Shabirgan and deliver up to 300 MW. The GOA would then link the Shabirgan substation to the Turkmenistan border. Shabirgan already receives approximately 165 MW via the 110 kV line Imamnazar- Andhoy- Shabirgan built in 2002. Both sides agreed that the capacity of the line needed to be increased in order to supply additional power to the city of Maymene.

Afghan Debt and Turkmen Forgiveness

¶5. (U) The exact amount of Afghanistan's debt was not officially disclosed at the time of the MoU, but is known to have been around \$8 million. Turkmenistan's official Russian-language newspaper Neytralny Turkmenistan reported on April 25, 2006 that the money from the repayment of the remaining Afghan debt would be spent on construction of power facilities on the Turkmenistan-Afghanistan border. On February 26, 2007 newly-inaugurated President Berdimuhammedov announced forgiveness of \$4.2 million in a phone call with Afghanistan president Karzai. Post understands this sum to have represented the remainder of the original, pre-April 2006 debt, i.e., a new gesture to the Afghans by Turkmenistan. But it might instead represent relief on new debt arising from gas sales to

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the Afghans since, and under the terms of, the 2006 MoU.

¶6. (U) Prior to the MoU, Turkmenistan in 2006 was exporting about 1.3 GW a year, including 599 MW to Iran and 535 MW to Turkey, as well as the 165 MW to Afghanistan. At the current Turkmenistan-Afghanistan power price, \$.02/KWh, Turkmenistan's potential annual revenue from Afghanistan could reach \$9.8 million annually (based on approximately 490 MW Afghan import assumption). Turkmenistan's total power production in 2005 was 12.8 MW; no official figures for 2006 have yet been made public. The Turkmenistanis may be interested in extending power supplies to Pakistan to reach a deeper customer base.

Points/Questions

¶7. (SBU) As far as post is aware, neither Turkmenistan officials nor media have offered any accounts that would update the Afghanistan-electricity status quo described above. There have been periodic references to infrastructure work on the Afghan border actually being carried out. Following are points/questions from Embassy Ashgabat's perspective for PDAS Mann's meetings with Turkmenistan officials:

-- How much surplus capacity does Mary power station now have available for increased supply to Afghanistan?

-- What is the ceiling of such supply given the present transmission-infrastructure constraints (on either side of the border)?

-- Is Turkmenistan upgrading and constructing necessary infrastructure so as to expand the power network to extra Afghanistani towns and cities, as we understand president Niyazov undertook to do in the April 2006 MoU?

-- What are the commercial terms for current electricity sales? Are the Afghans now current in their payments?

-- Does the recent announcement of forgiving Afghanistan's debt

constitute complete forgiveness, or does more debt remain?

BRUSH